

Food market volatility has yet to be understood: No definite proof that it is due to speculators

April 22 2013, by Anthony King



Credit: Audrey Low

Riots, political instability and a spike in malnourishment cases blighted the years 2007 and 2008, particularly in developing countries. The cause was a sudden surge in global food prices, with rice eventually rising several hundred per cent as importing countries simply could not get enough of this basic foodstuff. Global food expert Christopher Gilbert now warns that we can never predict such spikes in advance. Yet, Europe needs to improve its policies in this area. Gilbert, a statistician at the University of Trento in Italy, believes that, five years on, there is very little real evidence that traders and speculators on food markets caused

the volatility in agricultural commodities.

Were speculators just an available scapegoat for policy makers? What were the true causes of the dramatic price rises in [staple foods](#)? "We still don't know yet what caused the sudden rises [in 2007-2008]. There has been conflicting assessments," says Alberto Garrido, professor of agricultural economics at the Polytechnic University of Madrid, Spain.

Possible causes include increased [food](#) demand, rising oil prices and production costs, devaluation of the dollar, supply shocks from droughts, increasing speculation, a rise in biofuel planting, export bans or taxes and reduced stock-to-use ratios. Garrido is today coordinating a project called [ULYSSES](#), which seeks to uncover the true causes of the spike in [commodity prices](#) to help predict their occurrence and offer policy recommendations to the EU to mitigate their effects. "We will use more data, look at longer time series, include more information and better methods and assess what changes took place in the market," Garrido explains.

Any sudden rises in [food prices](#) particularly affects countries in the developing world which are net food importers. "Europe is largely self-sufficient in food, so won't experience critical shortages," Gilbert predicts, "But Europe should be concerned about the rest of the world and especially countries where food comprises a large proportion of the household budget."

Experts also believe that the poorest in Europe are also likely to suffer. "The poorest have to increase the amount they spend on food to a much larger proportion of their income than an average family," Tim Benton, global food security expert at the University of Leeds in the UK, tells youris.com. "Since 2007, the poorest 10% have had to increase their spending on food by nearly 50% more than the average household. So food price inflation does drive food poverty," he adds.

However, other factors influence the price of food too. "Market economies by their nature lead to fluctuations in prices," Benton explains, "But climate change and increasing competition for food and water are going to undermine our ability to produce as much food as the market would like. What we can do is build a more resilient agriculture that is less prone to fluctuations and manage land better."

For Gilbert, blame lies partly with European policy in agriculture. "European agricultural policy is largely based on the misconception that Europe has a food security problem. The current commissioner is not really interested in reform," he says. Besides, "the beneficiaries of European Union policy on agriculture don't want to hear discussions of what policy should be about."

The answers brought by the project from summer 2013 will be relevant for consumers in Europe and elsewhere. "Having a more predictable market will be of benefit to food processors, producers and consumers in developed and developing countries," Garrido concludes.

Provided by Youris.com

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